

**Pentagon Memorial Fund, Inc.**

Financial Statements  
and Independent Auditors' Report

December 31, 2020 and 2019

**Pentagon Memorial Fund, Inc.**

Financial Statements  
December 31, 2020 and 2019

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Pentagon Memorial Fund, Inc.

We have audited the accompanying financial statements of Pentagon Memorial Fund, Inc. (“the Fund”), which comprise the statements of financial position as of December 31, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
June 21, 2021

**Pentagon Memorial Fund, Inc.**

Statements of Financial Position  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 270,349	\$ 1,352,654
Investments	9,441,975	9,438,367
Grants and contributions receivable	1,757,412	524,078
Prepaid expenses and deposits	4,532	4,480
Visitor Education Center – Preconstruction Phase	3,054,247	2,216,480
Fixed assets and intangible assets, net	<u>28,750</u>	<u>-</u>
Total assets	<u>\$ 14,557,265</u>	<u>\$ 13,536,059</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 123,186</u>	<u>\$ 386,384</u>
Total liabilities	<u>123,186</u>	<u>386,384</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	4,992,104	3,113,840
Board-designated – maintenance fund	<u>9,441,975</u>	<u>9,438,367</u>
Total without donor restrictions	14,434,079	12,552,207
With donor restrictions	<u>-</u>	<u>597,468</u>
Total net assets	<u>14,434,079</u>	<u>13,149,675</u>
Total liabilities and net assets	<u>\$ 14,557,265</u>	<u>\$ 13,536,059</u>

See accompanying notes.

**Pentagon Memorial Fund, Inc.**

Statement of Activities  
For the Year Ended December 31, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board- Designated		
<b>Operating Revenue and Support</b>				
Grants and contributions	\$ 1,551,092	\$ -	\$ -	\$ 1,551,092
In-kind contributions	80,784	-	-	80,784
Net assets released from restrictions	597,468	-	(597,468)	-
<b>Total operating revenue and support</b>	<b>2,229,344</b>	<b>-</b>	<b>(597,468)</b>	<b>1,631,876</b>
<b>Expenses</b>				
Program services	842,162	-	-	842,162
Supporting services:				
Management and general	174,641	-	-	174,641
Fundraising	284,342	-	-	284,342
<b>Total supporting services</b>	<b>458,983</b>	<b>-</b>	<b>-</b>	<b>458,983</b>
<b>Total expenses</b>	<b>1,301,145</b>	<b>-</b>	<b>-</b>	<b>1,301,145</b>
<b>Change in net assets from operations</b>	<b>928,199</b>	<b>-</b>	<b>(597,468)</b>	<b>330,731</b>
<b>Non-Operating Activities</b>				
Interest and dividends	65	224,400	-	224,465
Realized loss	-	(155,415)	-	(155,415)
Unrealized gain	-	931,619	-	931,619
Investment management fees	-	(46,996)	-	(46,996)
Transfer to undesignated funds	950,000	(950,000)	-	-
<b>Change in non-operating activities</b>	<b>950,065</b>	<b>3,608</b>	<b>-</b>	<b>953,673</b>
<b>Change in Net Assets</b>	<b>1,878,264</b>	<b>3,608</b>	<b>(597,468)</b>	<b>1,284,404</b>
<b>Net Assets, beginning of year</b>	<b>3,113,840</b>	<b>9,438,367</b>	<b>597,468</b>	<b>13,149,675</b>
<b>Net Assets, end of year</b>	<b>\$ 4,992,104</b>	<b>\$ 9,441,975</b>	<b>\$ -</b>	<b>\$ 14,434,079</b>

See accompanying notes.

**Pentagon Memorial Fund, Inc.**

Statement of Activities  
For the Year Ended December 31, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board- Designated		
<b>Operating Revenue and Support</b>				
Grants and contributions	\$ 11,049	\$ -	\$ 1,210,000	\$ 1,221,049
In-kind contributions	122,326	-	-	122,326
Net assets released from restrictions	1,419,075	-	(1,419,075)	-
<b>Total operating revenue and support</b>	<b>1,552,450</b>	<b>-</b>	<b>(209,075)</b>	<b>1,343,375</b>
<b>Expenses</b>				
Program services	822,414	-	-	822,414
Supporting services:				
Management and general	119,694	-	-	119,694
Fundraising	363,614	-	-	363,614
<b>Total supporting services</b>	<b>483,308</b>	<b>-</b>	<b>-</b>	<b>483,308</b>
<b>Total expenses</b>	<b>1,305,722</b>	<b>-</b>	<b>-</b>	<b>1,305,722</b>
<b>Change in net assets from operations</b>	<b>246,728</b>	<b>-</b>	<b>(209,075)</b>	<b>37,653</b>
<b>Non-Operating Activities</b>				
Interest and dividends	56	262,312	-	262,368
Realized gain	-	27,215	-	27,215
Unrealized gain	-	884,725	-	884,725
Investment management fees	-	(48,254)	-	(48,254)
Transfer to undesignated funds	599,564	(599,564)	-	-
<b>Change in non-operating activities</b>	<b>599,620</b>	<b>526,434</b>	<b>-</b>	<b>1,126,054</b>
<b>Change in Net Assets</b>	<b>846,348</b>	<b>526,434</b>	<b>(209,075)</b>	<b>1,163,707</b>
<b>Net Assets, beginning of year</b>	<b>2,267,492</b>	<b>8,911,933</b>	<b>806,543</b>	<b>11,985,968</b>
<b>Net Assets, end of year</b>	<b>\$ 3,113,840</b>	<b>\$ 9,438,367</b>	<b>\$ 597,468</b>	<b>\$ 13,149,675</b>

**Pentagon Memorial Fund, Inc.**

Statements of Functional Expenses  
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Contribution to PRMR Fund	\$ 350,000	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ -	\$ -	\$ 350,000
Payroll, benefits, and taxes	113,657	85,243	85,242	284,142	-	-	-	-
VEC design fees	265,252	-	-	265,252	351,390	-	-	351,390
Fundraising consultants	-	-	167,250	167,250	-	-	320,105	320,105
Legal	54,275	10,176	3,392	67,843	75,942	14,239	4,746	94,927
Accounting and audit fees	-	61,982	-	61,982	-	59,303	-	59,303
Website management and hosting	30,695	804	-	31,499	8,055	-	-	8,055
Advertising	-	-	28,004	28,004	-	-	-	-
Marketing and communications	21,000	-	-	21,000	-	-	-	-
Rent and storage	7,264	6,878	454	14,596	8,640	6,720	540	15,900
Office expenses	-	4,623	-	4,623	5,539	2,401	-	7,940
Insurance	-	3,620	-	3,620	-	3,227	-	3,227
Amortization	-	1,250	-	1,250	-	-	-	-
Travel, meeting, and events	19	65	-	84	-	358	27,074	27,432
Management consulting	-	-	-	-	22,848	33,446	11,149	67,443
<b>Total Expenses</b>	<b>\$ 842,162</b>	<b>\$ 174,641</b>	<b>\$ 284,342</b>	<b>\$ 1,301,145</b>	<b>\$ 822,414</b>	<b>\$ 119,694</b>	<b>\$ 363,614</b>	<b>\$ 1,305,722</b>

See accompanying notes.



## Pentagon Memorial Fund, Inc.

### Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,284,404	\$ 1,163,707
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(776,204)	(863,686)
Depreciation and amortization	1,250	-
Loss on disposal of assets	-	39,900
Change in operating assets and liabilities:		
(Increase) decrease in grants and contributions receivable	(1,233,334)	816,666
(Increase) decrease in prepaid expenses and deposits	(52)	38
(Decrease) increase in accounts payable and accrued expenses	(263,198)	279,787
	<u>(987,134)</u>	<u>1,436,412</u>
Net cash (used in) provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	2,550,248	1,065,034
Purchases of investments	(2,727,652)	(969,058)
Short term investments, net	950,000	241,712
Purchases of fixed assets and intangible assets	(30,000)	-
Building preconstruction costs	(837,767)	(749,086)
	<u>(95,171)</u>	<u>(411,398)</u>
Net cash used in investing activities		
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,082,305)	1,025,014
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,352,654</u>	<u>327,640</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 270,349</u>	<u>\$ 1,352,654</u>

See accompanying notes.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 1. Nature of Operations

Pentagon Memorial Fund, Inc. (“the Fund”) was incorporated on May 21, 2003, as a not-for-profit, nonstock Virginia corporation and is qualified as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). The Fund was organized by families of the victims of the terrorist attack on the Pentagon on September 11, 2001, to fund the design, construction, maintenance, and continuing educational activities associated with a lasting memorial to the 184 individuals who lost their lives at the Pentagon.

Since opening to the public on September 11, 2008, research showed that there is a unique teachable opportunity at the Pentagon Memorial to explain the events on 9/11, the significance of the Pentagon Memorial, and the historic response that continues to this day. Based on this research, the Fund has focused its efforts on education outreach through the design and construction of the 9/11 Pentagon Memorial Visitor Education Center (VEC) to complement the Pentagon Memorial.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Presentation

The Fund’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash Equivalents

The Fund considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition are amounts designated by the Board of Directors for long-term purposes.

#### Investments

Investments are stated at fair value. Realized and unrealized gains and losses, along with investment management fees, are included in the accompanying statements of activities.

#### Grants and Contributions Receivable

Grants and contributions receivable represent unconditional receivables and are recorded at net realizable value. Grants and contributions are recognized as revenue in the period promised. Grants and contributions due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. No discount was recorded on multi-year grants and contributions during the years ended December 31, 2020 and 2019, due to immateriality. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

#### Fixed Assets and Intangible Assets

Fixed assets and intangible assets acquisitions with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which is three years for the assets. Upon disposal of depreciable assets, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Fixed Assets and Intangible Assets (continued)

Building costs consist of capitalized costs related to the planned construction of the VEC during the preconstruction phase, including professional fees, such as design and architectural services. As of December 31, 2020, construction of the VEC had not yet commenced, and capitalized building costs were not yet being amortized.

#### Revenue Recognition

##### *Revenue Accounted for in Accordance with Contribution Accounting*

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Fund reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Fund's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Fund receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. The Fund discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Fund is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Revenue Recognition (continued)

##### *Revenue Accounted for in Accordance with Contribution Accounting (continued)*

Contributed services meeting the criteria for recognition are recorded at fair market value at the time of receipt. These services consist primarily of legal, accounting, and other professional services. The value of these donated services is included in the accompanying financial statements as both revenue and expense in the amounts of \$71,704 and \$111,526 for the years ended December 31, 2020 and 2019, respectively.

The Fund receives donated space for operations from an Officer of the Fund that is recorded at estimated fair market value by the Fund at the time of receipt. Total in-kind rent and facilities donations, which are reflected in the accompanying statements of activities and statements of functional expenses, totaled \$9,080 and \$10,800 for the years ended December 31, 2020 and 2019, respectively.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Measure of Operations

Interest and dividends, realized and unrealized gains and losses, and investment management fees are considered non-operating activities. The Fund does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying statements of activities.

#### Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the change in net assets previously reported.

#### Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through June 21, 2021, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

The Fund has financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures as of December 31, as shown below:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 270,349	\$ 1,352,654
Investments	9,441,975	9,438,367
Grants and contributions receivable – current portion	1,732,412	291,667
Less: accounts payable and accrued expenses	<u>(123,186)</u>	<u>(386,384)</u>
Total available for general expenditures	<u>\$ 11,321,550</u>	<u>\$ 10,696,304</u>

The Fund monitors the balance of its cash and cash equivalents on hand, with a goal to maintain balances at levels sufficient to meet at least 90 days of normal operating expenses. The Fund structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. In addition, as part of its liquidity management, the Fund invests the excess of its short-term operating needs in highly liquid securities and investments.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **4. Concentrations of Risk**

#### Credit Risk

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist primarily of cash and cash equivalents, and investments. The Fund maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Fund has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### Revenue Risk

For the years ended December 31, 2020 and 2019, a substantial portion of the Fund's revenue was generated from one donor in each year. The contributions totaled 58% and 40% of the Fund's total revenue and support for the years ended December 31, 2020 and 2019, respectively. A potential reduction or change in funding from these donors in the future could significantly impact the Fund's ability to carry out its current program activities.

### **5. Investments and Fair Value Measurements**

The Fund follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 5. Investments and Fair Value Measurements (continued)

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Fund recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. In general, and where applicable, the Fund uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 618,092	\$ -	\$ -	\$ 618,092
Bond funds:				
Nontraditional	680,929	-	-	680,929
Closed-end fund	226,349	-	-	226,349
Equity funds:				
Closed-end fund	630,716	-	-	630,716
Real estate	738,364	-	-	738,364
Intermediate-term bond	1,480,802	-	-	1,480,802
Large value	1,152,435	-	-	1,152,435
Emerging markets bond	192,527	-	-	192,527
Foreign large blend	1,272,431	-	-	1,272,431
Small blend	189,774	-	-	189,774
Large growth	1,349,664	-	-	1,349,664
Mid-cap blend	500,800	-	-	500,800
Diversified emerging markets	409,092	-	-	409,092
Total investments	\$ 9,441,975	\$ -	\$ -	\$ 9,441,975



**Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

**5. Investments and Fair Value Measurements (continued)**

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 144,080	\$ -	\$ -	\$ 144,080
Bond funds:				
Nontraditional	715,084	-	-	715,084
Closed-end fund	930,809	-	-	930,809
Equity funds:				
Closed-end fund	1,373,231	-	-	1,373,231
Real estate	799,725	-	-	799,725
Intermediate-term bond	1,486,094	-	-	1,486,094
Large value	999,872	-	-	999,872
Emerging markets bond	190,284	-	-	190,284
Foreign large blend	1,019,310	-	-	1,019,310
Small blend	145,144	-	-	145,144
Large growth	987,564	-	-	987,564
Mid-cap blend	341,867	-	-	341,867
Diversified emerging markets	305,303	-	-	305,303
Total investments	<u>\$ 9,438,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,438,367</u>

Investment return consists of the following for the years ended December 31:

	2020	2019
Interest and dividends	\$ 224,465	\$ 262,368
Realized (loss) gain	(155,415)	27,215
Unrealized gain	931,619	884,725
Investment management fees	(46,996)	(48,254)
Total investment return	<u>\$ 953,673</u>	<u>\$ 1,126,054</u>

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,732,412	\$ 291,667
Receivable in one to five years	<u>25,000</u>	<u>232,411</u>
Total grants and contributions receivable	<u>\$ 1,757,412</u>	<u>\$ 524,078</u>

### 7. Fixed Assets and Intangible Assets

Fixed assets and intangible assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, and equipment	\$ 40,090	\$ 40,090
Website	<u>30,000</u>	<u>-</u>
Total fixed assets and intangible assets	70,090	40,090
Less: accumulated depreciation and amortization	<u>(41,340)</u>	<u>(40,090)</u>
Fixed assets and intangible assets, net	<u>\$ 28,750</u>	<u>\$ -</u>

Amortization expense for the year ended December 31, 2020 totaled \$1,250. There was no depreciation or amortization expense for the year ended December 31, 2019.

Building costs related to the preconstruction phase of the 9/11 VEC amounted to \$3,054,247 and \$2,216,480 at December 31, 2020 and 2019, respectively. As of December 31, 2020, construction of the VEC had not yet commenced, and capitalized building costs were not yet being amortized. See Note 9 for further description of the VEC.

### 8. Board-Designated Endowment

During the year ended December 31, 2009, the Fund established a quasi-endowment fund without donor restrictions for the purpose of maintaining the Pentagon Memorial. Accordingly, the fund is not subject to the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 8. Board-Designated Endowment (continued)

The investment objectives of the fund are long-term growth of capital, preservation of purchasing power, and preservation of capital. In order to achieve these objectives, a majority of the endowment funds are diversified among mutual funds and money market accounts.

The spending policy established for the fund, which is for yearly maintenance payments to the U.S. Department of Defense, is approximately 4% of the average market value of the fund over the trailing three years, with the initial value assumed to be \$9,000,000.

Composition of endowment fund and changes in endowment net assets were as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Board-designated endowment fund, beginning	\$ 9,438,367	\$ 8,911,933
Investment return:		
Interest and dividends	224,400	262,312
Realized (loss) gain	(155,415)	27,215
Unrealized gain	931,619	884,725
Investment management fees	<u>(46,996)</u>	<u>(48,254)</u>
Total investment return	<u>953,608</u>	<u>1,125,998</u>
Transfer to undesignated funds	(600,000)	(249,564)
Payment of endowment funds	<u>(350,000)</u>	<u>(350,000)</u>
Board-designated endowment fund, ending	<u>\$ 9,441,975</u>	<u>\$ 9,438,367</u>

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **9. Capital Campaign**

During 2016, the Fund launched a new fundraising campaign to fund the VEC to raise \$50 million over 5 years for the construction of the VEC. During 2018, the Fund contracted with an external fundraising consultant, Hahn Group LLC, to redefine the campaign goals. The focus of 2018 was spent recruiting new members to the Board of Directors and working with them to identify prospects that could support the campaign at a leadership gift level (between \$1-10 million).

The VEC will be a space where visitors from around the world can learn about the events of September 11, 2001, the lives lost that day, and the historic significance of the Pentagon Memorial site. The funds raised by the Campaign will be used to create a self-sustaining, multi-purpose building for education, conferences, and special events. The VEC is meant to complement and enhance the visitor's experience to the 9/11 Pentagon Memorial. The VEC will feature exhibits, conference space, children's area, food and refreshments, general facility space, gift shop, and other areas to help visitors understand and appreciate the historic events that took place that day, connect with those who experienced them, and learn why those events are relevant today.

During the year ended December 31, 2019, the Fund received \$1,210,000 of contributions with donor restrictions related to the Campaign, and incurred \$1,419,075 in costs related to the Campaign from those funds with donor restrictions, of which \$749,086 was capitalized as a part of preconstruction costs of the VEC.

During the year ended December 31, 2020, the Fund's management determined that due to the Fund's sole active program being to construct the VEC, all contributions supporting the VEC are recorded as net assets without donor restrictions.

### **10. Net Assets With Donor Restrictions**

At December 31, 2019, net assets with donor restrictions, which totaled \$597,468, were all program-restricted for the VEC. There were no net assets with donor restrictions at December 31, 2020.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **11. Commitments and Contingencies**

#### 9/11 Pentagon Memorial Visitor Education Center

It is the Fund's intention to establish the VEC, which will use educational programming to help visitors of the Pentagon Memorial understand and appreciate the historical significance of 9/11. On January 20, 2015, the Fund and the U.S. Department of Defense ("the Department") signed a license agreement commencing on January 23, 2015 and expiring on January 22, 2023, for use of real property whereby the Fund is granted certain restricted access to a parcel of land in the Commonwealth of Virginia for purposes of performing preliminary professional studies to determine if the premises are appropriate for the construction and operation of the VEC. Under the terms of the contract, there is no financial commitment required from the Fund for the duration of this initial license agreement.

During 2020 and 2019, the Fund focused on refining its vision for the planned construction of the VEC, securing exhibit content and raising awareness and funds for the project. It is anticipated that the Department and the Fund may enter into a long-term lease agreement for the land to be used for constructing the VEC. The Fund will pursue a long-term lease agreement with the Department once the boundaries for the parcel of land, intended to be used for the location of the VEC, have been suitably defined based on the other construction projects related to the Arlington National Cemetery's Southern Expansion Project. As of June 21, 2021, the Fund had not signed a binding agreement to this effect.

#### License Agreement

The Fund has a license agreement for the use of office space and equipment through December 31, 2021. The use of the facilities is donated to the Fund, and the value of the donated rent and facilities is included in in-kind contributions in the accompanying statements of activities.

#### Employment Contract

The Fund has a signed employment agreement with the Executive Director through December 31, 2022. The agreement contains terms that require payments to the Executive Director upon the occurrence of certain contractual events.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **11. Commitments and Contingencies (continued)**

#### Hotel Commitment

The Fund enters into contracts with hotels to host meetings and events. In the event that the Fund cancels its agreements with the hotels, it can be held liable for liquidated damages or other cancellation fees.

### **12. Retirement Plan**

During 2020, the Fund began maintaining a SIMPLE IRA plan for its employees. The plan is available to all eligible employees, and permits employee contributions of pre-tax salary, up to limits established by law. The plan also permits a discretionary employer matching contribution up to a specified dollar amount or percentage of a participating employee's compensation, as determined by the Fund. During the year ended December 31, 2020, the retirement plan expense totaled \$6,963.

### **13. Management, Administration, and Outreach Fees**

Through 2019, the Fund had in place an agreement with a consulting company, CAA Consulting (CAAC), to provide various services including program support, professional management, office administration, outreach and communications, and operations. Under the terms of the contract, the Fund paid CAAC a retainer-based agreement for management and administration services in fixed monthly amounts through September 30, 2019. On August 30, 2019, the Fund provided notice to CAAC to terminate the retainer-based agreement effective September 30, 2019. Fees paid under this agreement for the year ended December 31, 2019 were \$223,523.

### **14. Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Fund allocates the majority of its expenses utilizing a direct allocation methodology, recording expenses to their specific function based on the actual time spent per natural expense category. In-kind contributed expenses are allocated across functions utilizing an estimated calculation on the basis of time and effort.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2020 and 2019

### **15. Income Taxes**

The Fund is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no significant unrelated business income. No provision for income taxes has been made for the years ended December 31, 2020 and 2019, as the Fund had no unrelated business income. Management has evaluated the Fund's tax positions and concluded that the financial statements do not include any uncertain tax positions.

### **16. COVID-19 Pandemic**

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. The Fund's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.